

**TOWN OF FOUNTAIN HILLS
MINUTES OF THE WORK STUDY SESSIONS OF THE
FOUNTAIN HILLS TOWN COUNCIL
MARCH 10, 2009**

AGENDA ITEM #1 – CALL TO ORDER AND ROLL CALL

Mayor Nichols called the meeting to order at 5:03 p.m.

ROLL CALL – Present for roll call were the following members of the Fountain Hills Town Council: Mayor Schlum, Councilmember Contino, Councilmember Leger, Councilmember McMahan, Councilmember Hansen, Vice Mayor Archambault and Councilmember Dickey. Town Attorney Andrew McGuire, Town Manager Rick Davis, Deputy Town Manager Julie Ghatti, Town Clerk Bev Bender and Public Works Director Tom Ward were also present at the meeting.

AGENDA ITEM #2 – UPDATE AND DISCUSSION ON FUNDING FOR THE SPECIAL TRANSPORTATION SERVICES (STS) PROGRAM.

Deputy City Manager Julie Ghatti addressed the Council relative to this agenda item and noted that the Town contracts with Maricopa County for the Special Transportation Services (STS) program that provides transportation services to residents of Fountain Hills who were low-income, elderly or disabled. She said that they drove the citizens to social, recreational, work related and/or medical appointments. She reported that they average about 21 clients per month with an average of 359 trips per month (at \$38.25 per trip or \$13,732 per month). The FY 2009 budget for this program was \$90,000 with an additional \$45,000 available from LTAF II funds and as of the end of February the program was on track to cost \$164,000 this year.

Ms. Ghatti advised that staff had been working with Maricopa County in an effort to reduce the cost of the program and would have the least impact on the clients. She said that staff was proposing the following modifications to the STS program for the remainder of this fiscal year and beyond:

- Eliminate recreational and social trips
- Limit trips to two one-way per day (no stops)
- Transfer clients going to work to alternate County program (must be ADA certified)
- Require County to validate ADA certification
- Adopt a two-tiered per trip fee schedule

Ms. Ghatti stated that Maricopa County STS staff had been very helpful by assisting Town staff with recommendations on how to reduce the cost of the program while minimizing the impact on clients. For example, the County had agreed to facilitate the application process for those clients who had not obtained ADA certification from RPTA (currently clients were on the honor system when they call for rides). She added that they were also working with Maricopa County Finance to create a two-tiered fee schedule – one fee for trips under five miles and another fee for trips greater than five miles.

Ms. Ghatti thanked the Council for the opportunity to address them and requested input relative to staff's proposal.

In response to a question from Councilmember Dickey, Ms. Ghatti advised that currently the service was free of charge to all citizens and the charge was to the Town.

Councilmember Dickey asked if any mechanism was in place whereby citizens could pay a portion of the fee rather than lose the service and Ms. Ghetti replied that the program was run through the County and she was not sure whether they would be interested in implementing such a program or not. She added that the County would keep any money generated. Ms. Ghetti confirmed that this year the Town was \$30,000 “in the hole” and reiterated that the County was working with the Town on a two-tiered program. She said that if such a program was implemented right away they could make up for some of the shortage. She noted that they were on track to spend approximately \$165,000 for the program. Ms. Ghetti advised that the goal was to see if the program could be managed a little better. She said that some of the clients were using the program for things like going to Target five days a week and stated that clearly that service could be provided another way.

Councilmember Dickey indicated that she would like to have more discussion on the definition of social versus recreational uses.

Mayor Schlum commented that it appeared staff’s proposal was to modify the areas outlined in the table and to eliminate the recreational and social trips and Ms. Ghetti concurred. She added that those trips were for shopping, going to the fitness center, etc. She emphasized that they did not want to disqualify the ADA certified people and if going to the fitness center was something they needed to do then they would continue to do so.

Discussion ensued relative to the lack of available funding in this and other areas; the fact that right now only one of the clients was ADA certified; the possibility of running the van themselves in order to save money and Town Manager Rick Davis’ statement that research determined that running the van themselves would actually be more expensive and they would need to use both vans; the fact that the Community Center was looking into providing extra social-type trips within the community; the fact that the Town was seriously looking into having volunteers assist some of the people (similar to the manner in which they utilize volunteers for the home delivered meals program); the fact that there were no local cab companies in Town that could provide services at discounted rates; the fact that there would be a time gap between making budget decisions with regard to the level of service that would be provided through STS and when they could solidify or put together a volunteer program and the importance of proceeding in this manner.

Councilmember Leger said that his main concern was transition and added that they would probably have to contact a majority of the citizens who would be impacted.

Ms. Ghetti advised that if the Council approved staff’s proposal, staff would come back to the Council with an amendment to the contract (May or June timeframe).

Councilmember Leger asked who would be working with the citizens who utilized the services and Ms. Ghetti noted that the clients were clients of Maricopa County. She added that the County was very willing to assist the Town and educate the clients, let them know what was happening, etc. She said that they had the applications for Valley Metro RPTA but explained that staff could not “do it for them” – but they could certainly provide them with the forms and tell them where they needed to go. She stated the opinion that they would also communicate with Senior Services in order to get the word out.

Councilmember Leger expressed concern for folks falling between the cracks and stressed the importance of having the Town’s plan in place before the change took place and Mr. Davis commented on the fact that they did not yet know what the level of volunteerism would be. He agreed that it would be ideal to have the program in place before any changes were made but said he did not know how long it would actually take to do that.

Additional discussion ensued relative to the fact that they could limit the one way each way trips right away (people would not be able to make multiple stops) and they could try to transfer the clients that went to work (try to put them over on the work program); potential estimated savings; the importance of identifying the need; Ms. Ghetti’s opinion that if the Council accepted staff’s proposal, the cost would stay within the budgeted

amount (\$90,000); the fact that requiring users to be ADA certified might resolve all of the problems by reducing the number of users, but there were difficulties associated with identifying the number of ADA certified residents (no screening process in place); the fact that the Town could decide not to provide social/recreational trips for ADA clients as well (not required to provide); the fact that larger cities were leaving the program and providing the service on their own; the importance of having more transportation in Town; the fact that the van that went to Mayo Clinic was cut last year because of the cost; the fact that ADA criteria helped those with physical needs; were there any models as to how to provide this service; and the importance of being able to offer alternatives to citizens who were not ADA certified.

Councilmember Contino said that he believed the program was really designed for people who could not get to and from the doctors or work so he did not see stopping the other rides as being much of a problem. He spoke in support of going back to the original program. He added that the Senior Center was also using another program – they had an organization that would take someone to the grocery store, hair stylist, etc. and they were allowed one trip a week and it's free to the Town. He stated that he did not believe that it would be difficult to cut the program back and abide by staff's proposal because that was what the program was originally supposed to be.

Mayor Schlum thanked Ms. Ghetti for her presentation.

AGENDA ITEM #3 – UPDATE AND DISCUSSION ON PROGRESS OF FY08-09 CAPITAL IMPROVEMENT PROJECTS.

Deputy City Manager Julie Ghetti addressed the Council relative to this agenda item and highlighted a brief PowerPoint presentation relative to this issue. She said that the goal was to provide the Council with another update on the status of the capital projects for the current fiscal year and discuss what was planned so far for the next fiscal year budget. She stated that staff was looking for some feedback from the Council on what direction they would like staff to move in (some projects were more than one year long, etc.).

Ms. Ghetti noted that so far this year three projects had been completed – Desert Vista Park, the Fire Department replacement vehicle and a portion of the downtown sidewalk plan. She added that two projects were postponed – the Event Circle, which was not in next year's budget and the senior van (they replaced the van with something else so that was not in next year's budget either). She reported that at the beginning of the fiscal year they had \$10.8 million in the Capital Projects Fund and they budgeted to spend \$5.6 million but they were really only going to spend \$4.4 million this fiscal year. Projects that were in progress right now that staff expects would be completed by the end of this fiscal year included a drainage project at Oxford and Fountain Hills, the Street Maintenance Facility (plans would be completed this fiscal year), municipal software, the Botanical Garden and the Palisades signal, which would also be completed this fiscal year.

Ms. Ghetti also discussed multi-year projects that were in process, including the Shea climbing lane, the Shea bike lane, the Shea widening, pavement management, alley paving, sidewalks along Fountain Hills Boulevard, Del Cambre drainage, the Fire Station relocation and municipal software.

Discussion ensued relative to fiscal year 2010 "in progress" projects; grant monies and stimulus funding; staff's efforts to obtain a design grant to defray costs for sidewalk projects; the possibility of going back and revisiting the issue of Town-wide sidewalks; storm water utilities and drainage projects; the fact that the maintenance fee for the software program costs \$50,000 per year; the design of the Fire Station relocation and the fact that the more "shovel ready" or "obligated" projects would make them more eligible for grant funding or stimulus monies; the fact that "obligated" meant "designed;" new projects included in next year's Capital Improvement Plan including Avenue of the Fountains improvements; Saguaro mill and overlay (from Shea Boulevard to Fountain Hills Boulevard); and traffic signal upgrades.

Councilmember Leger commented on the mill and overlay project and asked Ms. Ghetti her thoughts on conducting a bond election. He noted that one of the options mentioned in Ms. Ghetti's information was HURF funds and said he thought they had a HURF bond that currently was paying for street work that would expire in 2010. Ms. Ghetti confirmed Councilmember Leger's comment.

Councilmember Leger stated that he was trying to determine what the impact would be to the taxpayers.

Ms. Ghetti clarified that there were two previous street bond issues, one in the HURF fund (\$1.5 million) and a General Obligation Bond, which was repaid through property taxes (\$3.5 million). She said that the one that was expiring next year was the HURF one and the taxpayers did not pay that on their property taxes; it was actually paid out of HURF revenues.

Ms. Ghetti explained that the HURF fund could only support so much in debt service and it had been \$110,000 to \$130,000 every year. She said that would result in approximately \$1.5 million so the rest of the monies would have to be in the form of a General Obligation Bond. She added that both required voter approval but only one was paid for through the property tax. She noted that they were still paying for the \$3.5 million and reiterated that the HURF was expiring. She added that as the Town's assessed valuation went up, the rate went down.

Councilmember Leger said that if the taxpayers had to pay significantly more that would be a concern for him

Ms. Ghetti stated that the final new project was an EOP Center (Emergency Operations Center) and said that if funding was not received that project would not go forward.

Ms. Ghetti said that in summary for next year if they went forward with the budget the number in the Capital Improvement Plan would be approximately \$11 million but it was broken down with only \$1.9 of that coming out of the Capital Improvement Fund. She added that \$3.1 million would be stimulus money, the bonds would be \$4.5 million, grants \$1.2 million, etc.

Ms. Ghetti requested feedback from the Council as well as some prioritization and commented on the fact that all of the projects would come back before the Council for approval. She said that if there were any projects that members of the Council would prefer to delay, staff would appreciate direction at this time.

In response to a question from the Mayor, Ms. Ghetti stated that they had to make sure that stimulus/bond/grant funds were included in the budget. She said that if they did receive them, then they were already included in the budget and if they did not get them and they get the money they would have no ability to spend the money.

Vice Mayor Archambault said he would like the Council to entertain the idea of not proceeding with the Del Cambre drainage project and the Avenue of the Fountains improvements.

Public Works Director Tom Ward, responding to a request for clarification relative to the bike lane from the Vice Mayor, noted that the Shea bike lane was an 8-year old grant project. He said that two of the reasons he would like to keep moving forward on this project was because (1) the amount of money already deposited; and (2) they did not know how much longer they would allow the project to be delayed.

Councilmember Dickey commented on the fact that alley paving was scheduled for 2009 and asked why the figure was so much higher and Mr. Ward indicated his intention to discuss this issue later in the meeting.

Councilmember Dickey asked whether the alley paving was something required under PM-10 and Mr. Ward confirmed that it was (per the Town's IGA with MAG). Councilmember Dickey asked how much they would have left over in Capital Improvement monies if they did all of the projects.

Ms. Ghetti reported that in the Capital Improvement Fund they started with \$10 million, they would still have \$8 million at the end of this fiscal year and they were only going to spend about \$2 million next year.

Councilmember Dickey said that she was not afraid to leave the items on the list as presented.

In response to a request from Councilmember Hansen, Town Attorney Andrew McGuire said that at this point in time the Council could not vote; they could only discuss the issues and come to some “nodding of heads” without an official vote. He said that the direction would help staff prepare what they need to bring to the Council at a later date for an official vote on the Capital Improvement portion of the budget.

Councilmember Contino commented on the tough constraints that the Town was currently facing and stated the opinion that some of the projects, especially the three on Shea Boulevard and the alley paving, could probably be tabled for a while. He asked why they waited eight years to put a bike lane in if they had the grant money. He emphasized the importance of looking at how much they could save and protecting themselves so they were in a better position when revenues stopped coming in.

Vice Mayor Archambault discussed the traffic signal upgrades and asked staff how urgent the projects really were.

Mr. Ward stated that the controllers were outdated (some were the original controllers) and there was a “mixed bag” of different types of controllers. He said that they needed to get them “all on the same page” and put the newest technology out there, especially if they were going to be looking into entering into an IGA with Paradise Valley down the road. He added that the current controllers were constantly working on them; they required a lot of maintenance and it was difficult to obtain new parts.

The Vice Mayor asked whether they might be able to not spend the money next year even if they budgeted for it and Mr. Ward stated that that was always possible.

Councilmember Dickey asked whether there were any energy savings associated with the new signals and Mr. Ward said that he would certainly hope so but one of the things they were looking at was how to deal with power outages (lightening strikes, etc.) and having a battery backup that would last for four hours so that the signal remained a functioning signal. He added that there was a savings because of the type of technology being used today.

Mr. Davis said that he believed it important to clarify that as the Council looks at these priorities (Capital projects) some of them represent partnerships that the Town had with other State agencies and so what might appear prudent to delay might wind up costing the Town a lot more money. He also urged caution regarding State mandates.

Councilmember Dickey asked whether the Town Manager was recommending moving ahead with the projects on the list and if it would be alarming to Ms. Ghetti if all of the projects did in fact come before the Council and were approved.

Ms. Ghetti said that the alarming issue for her was more “what was it going to cost the Town in the future? And what was the delay going to cost them.” She added that as much as they hated to delay them, they also did not want to deplete the full Capital Projects Fund because it could be three or four years before it was replenished again. She stated that it was a matter of determining which projects were the most critical. She added that staff had tried to present to the Council what they thought the best priorities were and that was what they were recommending.

Mr. Ward commented on the fact that the signal upgrades (\$142,000) were critical because of the associated liability for the Town and that was why this project was on the list. He said that he believed the item covered all 13 signals in Town.

Councilmember Contino concurred that from a liability/public safety standpoint, the signals must be upgraded.

Discussion ensued relative to the Avenue of the Fountain improvements (FY 2010) and the associated Development Agreement; the fact that the project had to be included in the budget in the event the funding did come forward; mill and overlay on Saguario and staff's opinion that they need to move forward on this in a timely manner; Councilmember Leger's comment that the mill and overlay represents a huge initiative and the fact that he would like to know more about the process (if they were going to move forward on this, how and when did they do so?); Councilmember Leger's desire to know what the debt would be to the taxpayers if they moved forward; Ms. Ghetti's comment that the purpose of bringing the items before the Council was to determine whether this was something they wanted to move forward; the fact that staff was not looking for direction to move forward on that at this time - it was brought up merely for discussion purposes; and the fact that if the Council decided to move forward with a bond election, staff would put together a timetable and the numbers; and the fact that a bond election would have to be held in November.

In response to comments made by Councilmember Leger, Mr. McGuire advised that staff was looking to obtain feedback rather than direction at this point in time so they could determine whether to bring the items back at a future date.

Mr. Davis said that the direction that came out of the Council's Retreat that staff was to develop, as soon as possible, a funding plan for the Town's major arterials (choosing the ones that really had the greatest need right now). He added that staff's intention was to come up with a plan; either financing this through the available funds in the Capital Projects fund, which staff determined they could not do or propose some type of long term funding option that would be tied to a General Obligation bond. He stated that staff had been looking forward to March 10th for quite a few weeks now because this was where staff was going to "throw this out" as an option for moving forward to address the long-term needs on Saguario. He added that the Committee sees this as the only course of action for Saguario and said that they simply could not pay for that any other way. He stated that the question in staff's minds came down to whether the Council wanted to do "a short-term fix and wait it out" or more of a long-term fix. He said that staff had run some numbers and determined that the long-term fix would ultimately be less expensive for the Town. He noted that this was where the discussion began and agreed that the issue was huge. He added that staff needs the Council's feedback on this issue.

Councilmember Hansen stated that she views this as a "no brainer" because they were leaving it up to the citizens to decide. She said that streets were one of the things that she heard the most concerns about, especially Saguario Boulevard, and expressed the opinion that if the voters knew exactly what they were getting for their money, this would have a good chance of going forward.

Mayor Schlum commented that with the economy being down people had less discretionary dollars and it was a difficult time to ask for that but on the other hand it was a good time as far as interest rates, equipment, labor and supplies. He stated that he was leaving for Washington, D.C. on Friday and added that he received a scholarship for free airfare, hotel and conference attendance from the National League of Cities. He said that he would be taking a Crisis Management course over the weekend and then the Congressional Cities & Towns Conference was on Monday and Tuesday. He advised that they would mostly be discussing the stimulus issue at the Conference and talking to their representatives to make sure that the monies did not "fall through the cracks."

Vice Mayor Archambault asked if they moved forward and bring the issue (\$4.5 million) before the voters, whether that would take place in November.

Mr. Davis stated that if the Council felt comfortable programming the bond revenue into the budget, which they had to do regardless of the outcome, he believed their next move would be to consult with the Town's financial advisor and obtain a lot more information on what this would entail. He added that obviously there would be outreach that they need to do to educate the public on what they intended to do with the money. He said that there was an entire process that staff would "calendar out" for the Council but emphasized that step one was today and that was determining whether they thought this was the way to address long-term Saguaro in the most cost effective way. He added that unless staff senses objection on the part of the Council, staff would present a budget proposal to them in the future that would have this programmed into it. He stated that then they would participate in the budget process and work as quickly as they could to meet whatever deadlines they need to in order to move ahead with this initiative. He said that he was not familiar with the deadlines at this time so he was not sure whether they would make November, but he would look into this matter if the Council decided to move ahead. He noted that staff's intention would be to hold the election in November.

Councilmember Contino agreed that this issue was "a no brainer" and commented on the ruts that were in Saguaro Boulevard. He stated the opinion that they were posing a safety hazard more than anything else and this was something that they must move forward on. He commented on the fact that they had a quarter of a million dollars a couple of years ago to spend for a sound system that was never put up on the lights on the north side of Avenue of the Fountains and asked what happened to it.

Ms. Ghetti replied that if they did not spend the money on the sound system then it was still there. She added that if it was budgeted out of the Downtown Fund, which was dedicated to Downtown improvements, the funds were still in that account.

Councilmember Contino said that the monies would help them out on the sidewalks and asked why they could not do the infrastructure for all of the electrical and sound system on the south side at the same time. He stated that they should make it all one project.

Mr. Ward commented that Councilmember Contino's suggestion sounded like a good idea to him.

Councilmember McMahan asked whether staff had considered if the issue came up for bonds to repave Saguaro Boulevard because people were going to ask "what about Fountain Hills Boulevard?" He said that this was an issue they might have to address.

Mayor Schlum agreed and stated that the same was true of Shea Boulevard heading west.

Vice Mayor Archambault commented on the sound system on the north side of the Avenue of the Fountains and noted that they had "sleeved it" with one sleeve and could not run the sound system through the same sleeve as the electrical. He said that they would have to run another sleeve. He added that if they were going to go to the voters with a bond issue, which he thought they needed to do, he would like to know if there were other streets that they needed to consider (roads that they knew had to be done in the future but they just did not have the money to do them).

Mr. Ward advised that he, Ms. Ghetti and Mr. Davis had talked about this and the numbers being provided were very preliminary beyond Saguaro Boulevard. He questioned how much the voters would tolerate and said that staff needed to do more work on that issue (do you need \$10 million but only bond for \$4.5 million?).

Councilmember Dickey said that she had a question about how the bond would be set up (would it be two separate questions, part for HURF and part for General Obligation?). Ms. Ghetti replied that there would be two separate questions.

Councilmember Dickey stressed the importance of determining what people could and would bear and said they would not like the whole thing to fail if they went too far.

Councilmember Hansen concurred with Councilmember Dickey's remarks and stated that if they made the amount too much, unless the economy turned around, they would have a much harder chance of getting it passed.

Councilmember Leger said that they had to determine what it was going to cost them and how far they wanted to push. He added that although the funds were dedicated, it was scary out there and that was why he was interested in seeing the numbers. He stated that he was not opposed to moving forward on something like this but he wanted to know the impact it would have on the taxpayers. He commented on the fact that a year and a half ago an initiative "went down in flames" and it was for public safety and everyone thought that one was "a no brainer."

Councilmember Hansen pointed out that the initiative referred to by Councilmember Leger was for a primary property tax and said that this would be a secondary property tax.

Councilmember McMahan said that a secondary property tax, because it was a dedicated tax to be used for special purposes, was typically looked on more favorably than a primary property tax.

Ms. Ghetti thanked the Council for their feedback and stated that staff would put together a schedule and a timeline to see where they were at before they start making analyses and giving out numbers. She stated the opinion that probably the first thing that would have to be done was some action by the Council and Mr. McGuire would look into that.

Mayor Schlum thanked Ms. Ghetti and staff for the presentation.

AGENDA ITEM #4 – DISCUSSION AND PRESENTATION OF FY09-10 REVENUE OPTIONS, INCLUDING PROPOSED FEE SCHEDULE.

Ms. Ghetti addressed the Council relative to this agenda item and stated that the fee schedule had not been distributed because more work needed to be done on it. She said that this was the first time staff had put together a comprehensive all in one list and noted that it was a lengthy document. She commented that it was just a matter of letting the public know what the fees were. Ms. Ghetti noted that there were a couple of changes, one to the Parks & Recreation fees and advised that the Parks & Recreation Commission had seen that and approved it and the same with the Community Center – there were some new fees there as well and their Commission had seen those fees and approved them as well. Ms. Ghetti added that there was going to be a slight increase in the animal licensing fee so that the Town matched the County and a decrease in the variance fees. She said that other than that the fees were pretty much standard. She noted that staff was proposing a new fee, a liquor license fee. She explained that Fountain Hills was one of the few municipalities that did not charge for this and commented on the fact that the licensing process was a lot of work for staff.

Ms. Ghetti highlighted a brief PowerPoint presentation and noted that the Town completed a Strategic Plan in 2005, which was adopted by the Council in 2006. One of the key strategic initiatives coming out of the Plan was to achieve financial stability for the Town. A 2025 financial forecast was prepared and it was the best estimate of future events for projecting revenue and expenditures. Assumptions were made based on known information and the level of service. Future events were shaped by both internal and external influences. Ms. Ghetti stated that revenue determines the capacity of the town to provide services (the Town could only spend the revenues it receives). She reported that resources for next year (FY 2010) were approximately \$14 million. The General Fund was heavily reliant on sales taxes and State Shared revenues so a lack of diversification existed. She noted that 44% was controlled by the State and 43% represented the local sales tax (dependent on

the economy). She reviewed that construction sales tax was very volatile and dependent upon the economy; the State Trust Land provides temporary increases but once all the land was developed the Town would have to rely on remodels; construction revenue was based on contract values – remodeling costs were typically less than new home construction; the fact that commercial property was less than 3% of land in Fountain Hills – 75% was already developed. Sales tax revenues respond to changes in economy and inflation, therefore were unreliable as a stable source of operating revenue; the projected trend in retail sales tax through FY 2025; revenue/expenditure variables; the timing issue and the fact that new home construction revenues would decline as available land was developed and the importance of addressing the Town's long-term revenue shortfall; options for funding future operations (expenditure control, identify new sources of revenue, use capital project fund and bond proceeds for capital projects, create a permanent rainy day fund, propose a primary property tax, use reserve funds for operations); expenditure control and the fact that it was currently being done through technology, staff reductions and project delays; the fact that not all costs were controllable, delaying maintenance was contrary to maintaining a quality community and it delays the inevitable; the importance of identifying new sources of revenue (franchise agreement – most surrounding cities currently had a franchise tax on cable, gas, electric, water), increase local tax rate from 2.6% to 2.8% (\$600,000 a year), increase local tax rate on some activities, charge a fee for liquor license applications; associated risks that include the loss of a major retailer and placing unfair burdens on some businesses; proposing an initiative to voters to pay for major mill and overlay project on Saguaro Boulevard; the fact that HURF bonds would be paid off in FY 2010 and associated risks that include lack of voter approval could delay the project; Town roads; the creation of a Rainy Day Fund; the possibility of proposing a primary property tax; and the use of reserve funds and associated risks.

In summary Ms. Ghetti stated that they would need to amend the financial policies for the Rainy Day Fund and consider revenue options for FY 2010 – bond for major road project(s), franchise fee proposal, liquor license fees and changes to sales tax.

Ms. Ghetti indicated her willingness to respond to questions from the Council.

Councilmember Contino discussed the Rainy Day Fund and asked if the Town had to maintain a certain balance because of the ratings for Moody, etc. and Ms. Ghetti confirmed that fact. She added that the Town satisfied the requirement to keep its bond ratings up by reclassifying one of the portions of the fund balance to a Rainy Day Fund. She clarified that they would still have the funds and would only use them in an emergency and then they would be required to pay it back. She noted that the Town would always maintain its credit rating. Ms. Ghetti confirmed that the Town currently had a \$6 million General Fund reserve.

In response to a question from Councilmember Dickey, Ms. Ghetti explained that the Town currently had the money that would be set aside for the Rainy Day Fund so there would be no additional burden on the General Fund. She said that the only time it would have an impact on the General Fund (expenditure side) was if they had to use it.

Councilmember Dickey asked whether this would reflect favorably on the Town bond rates and Ms. Ghetti said that the Town had a very good rate; she did not believe it would make a difference. There would definitely not be a negative effect.

Vice Mayor Archambault asked if they would budget the Rainy Day Fund in every budget (every year) and Ms. Ghetti replied that the fund would be set aside as a separate fund and they would have to appropriate the revenue and appropriate a contingency. She confirmed that this would require Council action.

Ms. Ghetti noted that in the long term the Town was going to have to look at implementing a primary property tax in order to maintain the quality of life.

Councilmember McMahan said that if they went out for a property tax he would suggest that they do a long campaign on it and work it very carefully. He added that they could learn a lot from what the School Board did. He stated the opinion that the Council had done a good job of re-establishing themselves in the eyes of the people as a responsible organization.

Mr. Davis cautioned the Council to keep in mind that they would not realize the money for at least a year after they implemented it and said if they wanted to see funding by 2012, then it needed to go out by 2011. He added that one of the most beneficial things this group could do would be to be unified first and foremost and upon that foundation they could begin to do the necessary outreach.

Councilmember McMahan noted that such a campaign would have to include all elements of the community and convert them to their side, like the schools did.

Mr. Davis said he thought that was a good idea and was willing to take advice wherever he could get it. He stressed the importance of education in order to achieve success. He added that staff would do their best in this area.

Ms. Ghetti advised that the least likely option would be the use of reserve funds for operations. She said that staff would not recommend this option because it would affect the Town's bond rating.

Ms. Ghetti stated that she believed she had heard from the Council that amending financial policies for the Rainy Day Fund would be a good thing to do and accomplish the goal of the Council. She added that they would also consider revenue options for fiscal year 2010 (a bond for major road projects) and consider a franchise fee proposal as well as liquor license fees. She said they also could consider changes to the sales tax.

Ms. Ghetti informed the Council that the storm water fee was still on the table and staff was also looking at the option of leasing out a little corner of the back building of Town Hall to a Fountain Hills business for a coffee vendor (kiosk type) that would be open to the public.

Councilmember Dickey asked if it would be possible for staff to look into solar (i.e. companies leasing rooftops to generate solar energy). She stated that Mayor Nichols had previously asked how many rooftops the Town owned as the Town could actually lease the space and it could be determined later as to whether or not the Town wanted to partake in the energy generated.

Mayor Schlum thanked Ms. Ghetti for her input.

AGENDA ITEM #5 – DISCUSSION OF SERVICES AGREEMENT WITH 3D/INTERNATIONAL, INC. IN THE AMOUNT OF \$207,505.69 FOR THE DIRT ALLEY PROJECT, PHASE 1.

Public Works Director Tom Ward addressed the Council relative to this agenda item and noted that this particular project serves 22 commercial lots from Colonnade down to Panorama, 17 of which require additional work because of the driveway situation off of the alley (approximately \$9,400 per lot). He referred to a handout distributed earlier and said that it reflected the original budgeted amount of \$64,000 and said that he went back today and looked at the Markham contract, upon which he had based that price, and said that they based the price simply on paving 24 feet wide and 1400 feet long. He noted that they were going to pave over the existing base. He added that when they performed the site survey, staff could see that there were a lot of drainage and grading problems. He said that they were actually exporting items out of the alley because of the way the grades were now and associated concerns.

Mr. Ward provided a brief overview of the material distributed to the Council and discussed costs associated with drainage problems, additional paving work, erosion control, decomposed granite, etc. and staff's opinion

that they needed to stabilize the edges with decomposed granite and dress it up somewhat. He said that additional items that came into play included quality control and testing, temporary fencing, mobilization, a material export plus a 5% contingency.

Mayor Schlum thanked Mr. Ward for his presentation.

Councilmember Contino questioned the 24 feet of width and Mr. Ward confirmed that fact and added except in the driveway sections where they would widen out and attach to the driveways. He said that they did not want to dump drainage onto the existing lots and wanted to maintain as much of the water on the asphalt on the inverted crown and move it to Panorama where it would go north to Ashbrook Wash.

Discussion ensued relative to costs, the fact that several meetings had been held with the store owners who were very supportive of the paving project and the fact that the project would bring the Town into compliance with MAG PM-10 requirements.

Councilmember Hansen asked if the business owners might be interested in being part of an improvement district and Mr. Ward reiterated the \$9,400 per lot cost and said that was something that could be looked into.

AGENDA ITEM #6 - ADJOURNMENT

Councilmember McMahan **MOVED** to adjourn the meeting and Councilmember Contino **SECONDED** the motion, which **CARRIED UNANIMOUSLY** (7-0). The meeting adjourned at 7:19 p.m.

TOWN OF FOUNTAIN HILLS

By _____
Jay T. Schlum, Mayor

ATTEST AND
PREPARED BY:

Bevelyn J. Bender, Town Clerk

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Work Study Session held by the Town Council of Fountain Hills in the Council Chambers on the 10th day of March 2009. I further certify that the meeting was duly called and that a quorum was present.

DATED this 2nd day of April 2009.

Bevelyn J. Bender, Town Clerk